

REFERENCE TITLE: property tax; limit valuation increases

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
Second Regular Session  
2008

# HB 2050

Introduced by  
Representative McClure

AN ACT

AMENDING SECTIONS 42-11001, 42-11111, 42-13301, 42-13304 AND 42-15005,  
ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX VALUATION; PROVIDING FOR  
CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2       Section 1. Section 42-11001, Arizona Revised Statutes, is amended to  
3 read:

4           **42-11001. Definitions**

5       In chapters 11 through 19 of this title, unless the context otherwise  
6 requires:

7       1. "Assessed valuation" means the value derived by applying the  
8 applicable percentage prescribed by chapter 15, article 1 of this title to  
9 the full cash value or limited property value of the property, as applicable.

10      2. "Board" or "state board" means the state board of equalization.

11      3. "County board" means the county board of supervisors sitting as the  
12 county board of equalization.

13      4. "Current usage" means the use to which property is put at the time  
14 of valuation by the assessor or the department.

15      5. "Due date" means the next business day if a due date of any report,  
16 claim, return, statement, payment, deposit, petition, notice or other  
17 document or filing falls on Saturday, Sunday or a legal holiday.

18      6. "Full cash value" for property tax purposes means the value  
19 determined as prescribed by statute. If no statutory method is prescribed,  
20 full cash value is synonymous with market value which means the estimate of  
21 value that is derived annually by using standard appraisal methods and  
22 techniques. ~~Full cash value is the basis for assessing, fixing, determining  
23 and levying secondary property taxes.~~ Full cash value shall not be greater  
24 than market value regardless of the method prescribed to determine value for  
25 property tax purposes.

26      7. "Limited property value" means the value determined pursuant to  
27 section 42-13301. Limited property value is the basis for:

28       (a) Computing levy limitations for counties, cities, towns and  
29 community college districts.

30       (b) Assessing, fixing, determining and levying primary **AND SECONDARY**  
31 property taxes.

32      8. "Net assessed value" means the assessed value minus any exempt  
33 property.

34      9. "Person" means a natural person, individual, proprietor,  
35 proprietorship, company, corporation, organization, association, joint  
36 venture, partner, partnership, trust, estate or limited liability company,  
37 the federal or state government, a political subdivision of a state or any  
38 other legal entity or combination of entities that owns, controls or has  
39 possession of real or personal property.

40      10. "Personal property" includes property of every kind, both tangible  
41 and intangible, not included in the term real estate.

42      11. "Primary property taxes" means all ad valorem taxes except for  
43 secondary property taxes.

44      12. "Producing mine" or "mining claim" means a mine or mining claim  
45 from which coal or any other mineral or mineral substance, except for clay,

1 sand, gravel, building stone or a mineral or mineral substance that is  
2 normally processed into artificial stone, has been extracted for commercial  
3 purposes at any time during a period of one year before the first Monday in  
4 January of the valuation year.

5       13. "Real estate" includes the ownership of, claim to, possession of or  
6 right of possession to lands or patented mines.

7       14. "Roll" means the assessment and tax roll.

8       15. "Secondary property taxes" means:

9           (a) Ad valorem taxes or special property assessments that are used to  
10 pay the principal of and the interest and redemption charges on bonded  
11 indebtedness or other lawful long-term obligations that are issued or  
12 incurred for a specific capital purpose by a municipality, county or taxing  
13 district.

14           (b) Ad valorem taxes or assessments levied by or for special taxing  
15 districts and assessment districts other than school districts and community  
16 college districts.

17           (c) Amounts levied pursuant to an election to exceed a budget,  
18 expenditure or tax limitation.

19       16. "Tax year" for all property means the calendar year in which the  
20 taxes are levied.

21       17. "Valuation" means the full cash value or limited property value  
22 that is determined for real or personal property, as applicable.

23       18. "Valuation date", for the purposes of real property and property  
24 valued by the department, means January 1 of the year preceding the year in  
25 which taxes are levied.

26       19. "Valuation year" means:

27           (a) For real property and property valued by the department, the  
28 calendar year preceding the year in which the taxes are levied.

29           (b) For personal property, the calendar year in which the taxes are  
30 levied.

31       Sec. 2. Section 42-11111, Arizona Revised Statutes, is amended to  
32 read:

33       42-11111. Exemption for property of widows, widowers and  
34 disabled persons

35       A. The property of widows, widowers and disabled persons who are  
36 residents of this state is exempt from taxation to the extent allowed by  
37 article IX, sections 2, 2.1, 2.2 and 2.3, Constitution of Arizona, and  
38 subject to the conditions and limitations prescribed by this section.

39       B. Pursuant to article IX, section 2.3, Constitution of Arizona, the  
40 exemptions from taxation under this section are allowed in the amount of:

41           1. Three thousand dollars if the person's total assessment does not  
42 exceed twenty thousand dollars.

43           2. No exemption if the person's total assessment exceeds twenty  
44 thousand dollars.

1       C. On or before December 31 of each year, the department shall  
2 increase the following amounts based on the average annual percentage  
3 increase, if any, in the GDP price deflator in the two most recent complete  
4 state fiscal years:

5       1. The total allowable exemption amount and the total assessment  
6 limitation amount under subsection B of this section.

7       2. The total income limitation amounts under subsection E, paragraphs  
8 1 and 2 of this section.

9 For the purposes of this subsection, "GDP price deflator" means the average  
10 of the four implicit price deflators for the gross domestic product reported  
11 by the United States department of commerce or its successor for the four  
12 quarters of the state fiscal year.

13     D. For the purpose of determining the amount of the allowable  
14 exemption pursuant to subsection B of this section, the person's total  
15 assessment shall not include the value of any vehicle that is taxed under  
16 title 28, chapter 16, article 3.

17     E. Pursuant to article IX, section 2.3, Constitution of Arizona, to  
18 qualify for this exemption, the total income from all sources of the claimant  
19 and the claimant's spouse and the income from all sources of all of the  
20 claimant's children who resided with the claimant in the claimant's residence  
21 in the year immediately preceding the year for which the claimant applies for  
22 the exemption shall not exceed:

23       1. Twenty-five thousand dollars if none of the claimant's children  
24 under eighteen years of age resided with the claimant in the claimant's  
25 residence.

26       2. Thirty thousand dollars if one or more of the claimant's children  
27 residing with the claimant in the claimant's residence were either:

28           (a) Under eighteen years of age.

29           (b) Totally and permanently, physically or mentally disabled, as  
30 certified by competent medical authority as provided by law.

31     F. For the purposes of subsection E of this section, "income from all  
32 sources" means the sum of the following, but excluding the items listed in  
33 subsection G of this section:

34       1. Adjusted gross income as defined by the department.

35       2. The amount of capital gains excluded from adjusted gross income.

36       3. Nontaxable strike benefits.

37       4. Nontaxable interest that is received from the federal government or  
38 any of its instrumentalities.

39       5. Payments that are received from a retirement program and paid by:

40           (a) This state or any of its political subdivisions.

41           (b) The United States through any of its agencies, instrumentalities  
42 or programs, except as provided in subsection G of this section.

43       6. The gross amount of any pension or annuity that is not otherwise  
44 exempted.

1       G. Notwithstanding subsection F of this section, ~~"income from all~~  
2 ~~sources"~~ does not include monies received from:

- 3       1. Cash public assistance and relief.
- 4       2. Railroad retirement benefits.
- 5       3. Payments under the federal social security act (49 Stat. 620).
- 6       4. Payments under the unemployment insurance laws of this state.
- 7       5. Payments from veterans disability pensions.
- 8       6. Workers' compensation payments.
- 9       7. "Loss of time" insurance.

10      8. Gifts from nongovernmental sources, surplus foods or other relief  
11 in-kind supplied by a governmental agency.

12      H. A widow, widower or disabled person shall initially establish  
13 eligibility for exemption under this section by filing an affidavit with the  
14 county assessor under section 42-11152. Thereafter, the person is not  
15 required to file an affidavit under section 42-11152, but the person or the  
16 person's representative shall annually calculate income from the preceding  
17 year to ensure that the person still qualifies for the exemption and shall  
18 notify the county assessor in writing of any event that disqualifies the  
19 widow, widower or disabled person from further exemption. Regardless of  
20 whether the person or representative notifies the assessor as required by  
21 this subsection, the property is subject to tax as provided by law from the  
22 date of disqualification, including interest, penalties and proceedings for  
23 tax delinquencies. Disqualifying events include:

- 24       1. The person's death.
- 25       2. The remarriage of a widow or widower.
- 26       3. The person's income from all sources exceeding the limits  
27 prescribed by subsection E of this section.

28       4. The conveyance of title to the property to another owner.

29       I. The exemption described by this section applies independently to:

30       1. The assessed valuation determined for PRIMARY AND secondary  
31 property tax purposes ~~from the full cash value~~ of the property and  
32 improvements owned by the individual.

33       2. ~~The assessed valuation determined for primary property tax purposes  
34 from the limited property value of the property and improvements owned by the  
35 individual.~~

36       J. Any dollar amount of exemption that is unused in a tax year against  
37 the limited property value of property and improvements owned by the  
38 individual may be applied for the tax year against the value of personal  
39 property subject to special property taxes including the taxes collected  
40 pursuant to title 5, chapter 3, article 3 and title 28, chapter 16,  
41 article 3.

42       K. An individual is not entitled to property tax exemptions in the  
43 aggregate that exceed the maximum allowed to a widow, widower or disabled  
44 person even if the person is eligible for an exemption in more than one  
45 category.

1  
2 Sec. 3. Section 42-13301, Arizona Revised Statutes, is amended to  
3 read:

4       42-13301. Limited property value

5       A. The limited property value of property for primary property  
6 taxation purposes is the limited property value of the property in the  
7 preceding valuation year plus ~~the greater of either:~~

8           1. ~~Ten~~ THREE per cent of that value.

9           2. ~~Twenty five per cent of the difference between the full cash value  
10 of the parcel in the current valuation year and the limited value of the  
11 parcel in the preceding valuation year.~~

12       B. The current limited value of a parcel of property shall not exceed  
13 its current full cash value.

14       C. The limited property value of a parcel of property shall be  
15 determined and shown on notices and tax rolls as the total limited property  
16 value of the property. Separate determinations shall not be made for the  
17 limited property value of land and for the improvements on the land in  
18 reference to property parcels.

19       D. The limited value of each parcel of property that is determined for  
20 1980 is the base value for computing the limited value of that property in  
21 all subsequent tax years under this chapter.

22       Sec. 4. Section 42-13304, Arizona Revised Statutes, is amended to  
23 read:

24       42-13304. Exemptions from limitation

25       A. The limitations prescribed by this article do not apply to:

26           1. Personal property, other than permanently affixed mobile homes that  
27 are subject to chapter 15, article 5 of this title. The full cash value of  
28 personal property, other than permanently affixed mobile homes, shall be used  
29 for all purposes in lieu of limited property value.

30           2. Property included in property class one, paragraphs 1 through 7 and  
31 11 under section 42-12001. The full cash value of that property shall be  
32 used for all purposes in lieu of limited property value.

33       B. This section does not restrict the determination of full cash value  
34 of all parcels or items or property in this state pursuant to article 2 of  
35 this chapter for ~~purposes of levying a tax rate for secondary property tax  
36 purposes and for all other lawful purposes~~ ANY LAWFUL PURPOSE.

37       Sec. 5. Section 42-15005, Arizona Revised Statutes, is amended to  
38 read:

39       42-15005. Assessed valuation of class five property

40       The director shall annually determine percentages to apply as a basis  
41 for determining the assessed valuation of class five property described in  
42 section 42-12005 equal to the ratios that:

43           1. The total net assessed valuation for secondary tax purposes of all  
44 taxable property in class one and class six, paragraph 3 and personal  
45 property in class two bears to the total full cash value AND LIMITED

1     ~~VALUATION~~ of such property, ~~AS APPLICABLE~~, and that ratio shall be used for  
2 secondary tax purposes as required by federal law.

3       2. The total net assessed valuation of all taxable property for  
4 primary tax purposes in class one and class six, paragraph 3 and personal  
5 property in class two bears to the total limited valuation used for primary tax  
6 tax purposes of such property and that ratio shall be used for primary tax  
7 purposes as required by federal law.

8           Sec. 6. Conditional enactment

9       This act does not become effective unless the Constitution of Arizona  
10 is amended by vote of the people at the next general election to limit annual  
11 increases in property valuation for property tax purposes to three per cent  
12 of the prior year valuation.